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Via Electronic Submission and Email

May 14, 2020

Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: Climate-Related Market Risk Subcommittee Under the Market Risk
Advisory Committee**

Dear Mr. Kirkpatrick:

The Futures Industry Association (“**FIA**”)¹ appreciates the opportunity to respond to the Commodity Futures Trading Commission’s (“**Commission**” or “**CFTC**”) request for public comment on topics and issues being addressed by the Climate-Related Market Risk Subcommittee (“**Climate Subcommittee**”) under the Market Risk Advisory Committee (“**MRAC**”).² FIA’s membership includes clearing firms, exchanges, clearinghouses, trading firms and commercial end users from more than 48 countries, as well as technology vendors, lawyers and other professionals serving the industry. Many of FIA’s member firms are active, or support firms that are active, in physical commodities and related derivatives markets, which are directly impacted by climate and other environmental factors. Climate change thus poses a range of challenges for FIA’s member firms. These challenges span the spectrum, from operational, technological, legal, regulatory and reputational in nature, and extend to all areas of the world where firms operate. In many cases, the challenges are just recently emerging and, as such, are not yet fully understood or even readily identifiable. FIA therefore welcomes the efforts of the Commission, and the MRAC and Climate Subcommittee in particular, to proactively “identify and examine climate change-related financial and market risks, including for derivatives markets.”³ Financial regulators and the industry, both in the United States and globally, must be prepared for the risks that climate change may pose to our markets, our economies, and, ultimately, our livelihoods.

¹ The Futures Industry Association is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA’s mission is to support open, transparent and competitive markets; protect and enhance the integrity of the financial system; and promote high standards of professional conduct. As the principal members of derivatives clearinghouses worldwide, FIA’s clearing firm members play a critical role in the reduction of systemic risk in global financial markets.

² 85 Fed. Reg. 20,678 (Apr. 14, 2020).

³ 85 Fed. Reg. at 20,679.

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The first step in being prepared is to identify the nature and scope of climate-related risks. Once identified, the risks can be studied and better understood. And, once understood, the public and private sectors can work together to mitigate them. As a prominent voice for the industry, FIA believes that it has a responsibility to help lead this process of discovery, understanding and informed cooperative action.

FIA strongly believes that derivatives markets have an integral role to play in helping to meet climate-related challenges. The futures, options and cleared derivatives markets serve two important societal purposes. First, they allow businesses around the world to manage unwanted price risk so they can focus on their core commercial activities—whether it is manufacturing, agriculture or energy. Just as important, derivatives markets serve an important price discovery role for essential goods and services, enabling businesses to rely on these benchmarks with confidence in making investment decisions. Price discovery in derivatives markets allows capital to flow to where it is most needed in society. In this way, derivatives markets are a powerful catalyst for change.

In recent years, FIA has endeavored to showcase how derivatives markets and industry initiatives can promote environmental sustainability. For example, FIA's *MarketVoice* magazine has addressed how carbon markets can serve as a mechanism to incentivize reduction in emissions.⁴ FIA's conferences in the United States, Europe and Asia-Pacific Region have included programming on what has come to be known as the "ESG movement"—the industry's increasing focus on environmental, social and governance issues. Climate-related risks have featured prominently in those discussions with industry participants and regulators.⁵ Our conferences also have featured innovators, products and services that are helping firms prioritize and account for environmental considerations in managing their trading and commercial operations. FIA itself is even assessing internally how we, as an organization and staff, can conduct our activities in a more environmentally conscious manner.

In the last year, FIA has further focused its efforts to consider and address climate-related risks. A member working group in Europe has met regularly to look at climate-related initiatives by European policymakers and how those may impact markets and trading, as well as discuss opportunities for the industry to assist with the transition to more sustainable derivatives markets. And, in the United States, a working group of FIA's commodities firms has focused on climate-related risks for firms that are active in physical commodities and related derivatives markets. Leveraging these global work streams, FIA's members are preparing a white paper that seeks to identify risks, challenges and opportunities for derivatives market participants related to climate change.

While our efforts with the white paper have not yet progressed to the point where we are able to offer detailed comments in response to the instant CFTC release, we can relate that members plan to

⁴ <https://www.fia.org/articles/risk-managing-clean-energy-transition>.

⁵ See, e.g., <https://www.fia.org/articles/public-private-partnership-advocated-advance-sustainability-issues>; <https://www.fia.org/articles/fia-forum-focuses-transition-sustainable-finance>; <https://www.fia.org/articles/derivatives-markets-eager-sustainable-finance-opportunities>.

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look beyond the current scope of climate change disclosures and benchmarking criteria and explore a range of issues specific to the derivatives markets themselves (*e.g.*, market integrity, price discovery, risk management, market liquidity and volatility). We hope the white paper fosters dialogue among policymakers, regulators, market participants and the public on all these issues. In this regard, we expect the white paper to complement the work of the Climate Subcommittee and MRAC and to assist the CFTC and other financial regulators as they assess how to carry out their respective missions and regulatory objectives factoring in climate risks.

These are important issues. FIA encourages the CFTC to work closely with industry in crafting solutions.

We anticipate that we will be further along in drafting the white paper in the summer. After we have meaningfully advanced the white paper, we would welcome the opportunity to brief the Climate Subcommittee on our findings. And, as always, we stand ready to support the work of the CFTC on climate-related issues, in any way that the Commission would find useful. This includes serving as a resource for the agency as it assesses the impact of climate-related risks on commodity and derivatives markets and how these markets could help to drive capital toward low-carbon products and investments. As regulators seek to develop standards underlying derivatives contracts, they also need to consider the impact on the underlying physical commodity markets. In addition to the listed and OTC derivatives markets, many of FIA's members have a significant presence in the physical commodity markets, including extensive experience with environmental commodity markets and related design issues. We stand ready to leverage this expertise to move the conversation forward on climate-related issues and their impacts on the industry.

FIA appreciates the opportunity to submit this response. Please contact Jackie Mesa, Chief Operating Officer and Senior Vice President of Global Policy of FIA, at 202-466-5460, if you have any questions about FIA's comments.

Respectfully submitted,



Walt L. Lukken
President and CEO

cc: Honorable Commissioner Rostin Behnam
David M. Gillers, MRAC Climate Subcommittee Alternate Designated Federal Officer
and Chief of Staff to Commissioner Rostin Behnam